

RECEIVABLES MANAGEMENT METHOD

Field of the Invention

5 The present invention relates to a receivables management method and apparatus for processing data.

Background of the Invention

10 Funding trade debts (receivables) forms a large part of the working capital of all major companies. That is, once an order is placed with a company and a sale is recorded, although the value of the sale becomes an asset of the company, the company may need to wait a
15 considerable period of time before they receive settlement of the debt incurred as a result of the placed order. It is thus necessary for the selling company to have capital to cover the cash which they have not received. Delays in receiving settlement of debt may cause cash flow problems
20 for the selling company which may in turn, cause delays in settling debts they have with their own creditors.

 A study conducted in Australia indicated that in the period from December 1999 to November 2000, the
25 average payment period was 68 days past the due date. Further, the University of Tennessee study undertaken in relation to B2B payments, the participating companies reported that approximately 61% of their accounts receivable were 50 days or older.

30 Accordingly, it would be advantageous to provide an alternative receivables management method. Further, it would be desirable that any such receivables management method reduced the cost of transactions to the seller.

35 Currently, a selling company typically has an electronic trading facility provided by their bank. This

may be an EFTPOS terminal but could also be an internet banking portal. An additional transaction cost may be incurred where the buyer uses a different bank to the seller. In this case, the seller's bank will typically charge a fee (usually referred to as an interchange fee,) for carrying out the transaction. That is, the fee is charged in return for the seller's bank retrieving the money represented by the transaction from the buyer's bank. Typically, an interchange fee is charged as a percentage of the transaction (say 2%) and this interchange fee is split between the seller's bank and the buyer's bank - for example, 0.8% to the seller's bank and 1.2% to the buyer's bank. It would be desirable to reduce these fees.

Disclosure of the Invention

Accordingly, the invention provides a receivables management method comprising:

- (a) a credit provider providing sufficient credit to a plurality of buyers who place orders with a seller to cover debts incurred only when placing said orders with said seller;
- (b) said buyers placing orders with said seller, thereby incurring debts with said seller;
- (c) said seller fulfilling said orders;
- (d) said seller transferring said debts to said credit provider in exchange for settlement of said debts by said credit provider; and
- (e) said credit provider seeking settlement of said debts from said buyers.

Preferably, settlement by said credit provider is performed automatically.

Preferably, said method further comprises

assessing a risk of a proportion of the debt incurred by said buyers not being settled with said credit provider, and insuring against said risk.

5 It will be apparent that the credit provider will need to process the financial information generated by the seller as part of the transaction so that the credit provider can provide the buyer with an account. However, it would be undesirable for the credit provider to have to
10 alter their existing systems in order to process this data, and therefore according to another aspect of the invention there is provided [insert claim 13].

Brief Description of the Drawings

15 A preferred embodiment of the invention will now be described in relation to the following drawings in which:

20 Figure 1 is a schematic diagram illustrating the method of the present invention;

 Figure 2 is a schematic diagram illustrating the arrangement of the preferred embodiment;

25 Figure 3 is a schematic diagram illustrating an embodiment in which the seller includes an intermediary and a plurality of ultimate sellers;

 Figure 4 illustrates a further alternative where there are a plurality of credit providers; and

 Figure 5 shows further detail of the scheme administrator of Figures 2 to 4.

Description of the Preferred Embodiments

30 It will be appreciated that when a company receives orders for products or services from a buyer of those products or services, a debt is incurred by the
35 buyer with the seller. In some circumstances the seller will not supply to the buyer until they have received

settlement of the debt, however, in many circumstances it is necessary for the seller to extend credit to all of its buyers in order for those buyers to conduct business with the seller. The seller will often supply the goods or services ordered by the buyer before receiving payment for those goods or services from the buyer. Thus, it is necessary for any seller to have a certain amount of working capital to carry out their business so that they can pay their own suppliers and their ongoing business costs while waiting to receive funds from buyers. This imposes a substantial cost on businesses.

In the preferred embodiment, the burden of providing credit to buyers is shifted from the seller to a credit provider.

In the preferred embodiment, this is achieved by the credit provider providing credit to the buyers of the seller for the specific purpose of buying from the seller. An immediate effect of doing so is to reduce transaction costs. For example, if the seller has an account with the first bank (or credit provider), it can be assumed that some of the buyers who purchase from the seller will have accounts with other banks (credit providers).

If a buyer who has a different credit provider to the seller places an order with the seller and pays for that order electronically via an electronic payment facility provided by the seller's credit provider a fee will be charged to the seller on the transaction. Such fees, typically known in the industry as interchange fees, are usually about 2% of the transaction and are, charged for the purpose of covering the costs of the sellers credit provider redeeming money from the buyer's credit provider. The interchange fee is typically split between the seller's credit provider and the buyer's credit provider in the ratio of 0.8% to 1.2% or 1.0% to 1.0%

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debtors (i.e. buyers) to determine a level of bad debts etc. The insurer may investigate to determine whether these past problems are likely to continue. The insurer will then set up a number of criteria which must be met in order for credit to be provided to individual buyers. If criteria aren't met the applications for credit are reviewed individually and credit is provided or refused. If credit is refused, the seller may choose to ask the credit provider to provide credit to a buyer anyhow in exchange for a guarantee to buy back any bad debt incurred by that buyer from the credit provider.

In the foregoing description, the cost of insuring the credit is borne by the credit provider but this is paid for by a management fee which is paid by the seller to the credit provider, usually, as a percentage of turnover. In an alternative embodiment, the seller may carry the burden of the credit insurance in exchange for a reduced management fee.

Figure 1 illustrates a process which occurs after credit has been provided by the credit provider to the buyers 20 of a seller 22. Figure 1 illustrates the process for a single buyer 20. As indicated by arrow 1, the buyer places an order with seller 22. Arrow 2 indicates that the seller then fulfils the order. It will be appreciated that order fulfilment need not be synchronous with the remaining steps. That is, order fulfilment will occur in accordance with the seller's normal business practices. For example, the seller is a paint shop the supply may be made immediately, however, if the seller is a computer hardware provider, it may be necessary to assemble the relevant computer hardware before supplying the computer hardware. Details of the order of the buyer and hence the debt incurred by the buyer are entered into the seller's account system 24 as indicated by arrow. At the end of each day, the seller's

system 24 batches all invoiced transactions and forward the data from seller hub 26 to the data switch 28 as indicated by arrow 4. It will be thus appreciated that the data transferred from the sellers hub 26 includes both financial and non-financial information, herein termed debt information and order information respectively. The respective items of information are marked as relating to buyer 20.

As indicated by arrow 5, the data switch 28 acknowledges receipt of this information to the sellers hub 26. The data switch 28 then separates the financial (debt) and non-financial (order) information and transmits the financial information to the credit provider 30 as indicated by arrow 6 together with a unique key which identifies the buyer. The credit provider 30 analyses the financial data provided by data switch 28 and produces an exception report 7 for any non-matching account numbers which can be reprocessed by seller 22. The credit provider 30 then automatically credits the seller's hub 26 with the total value of all debts of the previous day as indicated by arrow 8.

Each month the seller transmits a receivables management fee to the credit provider 30 as indicated by arrow 9. This receivables management fee is split between the credit provider 30 and a scheme administrator 32. The scheme administrator is responsible for maintaining data switch 28 as well as carrying out a number of other functions which will be described in more detail below. As indicated by arrow 10, at the end of each month, the processed financial information is forwarded to the data switch 28. The processed financial information includes what is essentially an account for each buyer 20 and is tagged by the buyer's individual key or account number. At the same time, data is transmitted by data switch 28 to the scheme administrator 32 as indicated by arrow 11.

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20 can either settle directly with the credit provider 30 by direct debit mechanism 30a as indicated by arrow 15 or can settle by attending a branch of the credit provider 30b as indicated by arrow 15b.

5 While the foregoing embodiment has been described in relation to a monthly billing cycle, it will be appreciated that the billing cycle can be varied depending on the needs of the seller and the credit provider.

10 The use of a loyalty program is adopted in the present invention because it will be appreciated that the credit provider 30 is likely to have stricter credit enforcement than a seller 22. Hence, providing a loyalty
15 awards scheme offsets the fact that the buyer may have a reduced period in which to pay their invoices.

Above it is described that the loyalty program rewards points are awarded on the basis of financial
20 transactions. However, it will be appreciated by persons skilled in the art that points may also be awarded on the basis of the purchase of particular products whereby the seller can encourage, for example, the purchase of a new product or a product where sales have dropped. In this
25 case, some or all of the non-financial information can be forwarded to scheme administrator 32 so that this information can be used when assessing the appropriate level of reward points to be awarded.

30 Figures 2 to 4 illustrate various possible configurations in which the preferred embodiment can be employed. For the sake of simplicity, in these diagrams the data switch 28 and the scheme administrator 32 and the statement printer 34 are shown collectively as scheme
35 administrator 32.

Figure 2 reflects the situation of Figure 1 where

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Loyalty program 64 communicates with payment and billing module to generate relevant reward points and is in itself in communication with the reward fulfilment section which allows buyers to redeem their points.

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The system administrator also includes a debtor risk management interface for dealing with the insurer.

10 It will be appreciated that as part of the foregoing described invention, it has been necessary to develop apparatus for processing data. Most credit providers operate on so called legacy systems which while capable of processing financial data are not configured to handle non financial data. Therefore, in the preferred
15 embodiment the data switch 28 of Figure 1 is used as a data processing means to separate the order information from the debt information and forward the debt information to the debt processing means of the credit provider. The data processing means is further configured to reassemble
20 the order information with the process debt information in order to produce processed data to be sent to the buyers. Further, in the preferred embodiment, the data processing means also associates the additional information (such as rewards scheme information) generated from at least one of
25 the debt information and the order information with the processed data forwarded to the buyer. Thus, the credit provider does not need to overly adapt their existing systems in order to operate the foregoing scheme.

30 It will be apparent to persons skilled in the art that various modifications may be made to the present invention and that the scope of the invention is to be determined solely from the scope of the following claims.

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